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**Letter dated 9 April 2015 from the Permanent Representative of
Mongolia to the United Nations addressed to the President of the
Economic and Social Council**

I have the honour to transmit herewith the national report of Mongolia on progress towards the achievement of the internationally agreed goals, including the Millennium Development Goals, prepared for the annual ministerial review to be held during the high-level segment of the 2015 session of the Economic and Social Council (see annex).

I should be grateful if you would circulate the present letter and its annex as a document of the Council, under agenda item 5 (c).

(Signed) **Od Och**
Chargé d'affaires a.i.
Permanent Representative of Mongolia
to the United Nations

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Annex to the letter dated 9 April 2015 from the Permanent Representative of Mongolia to the United Nations addressed to the President of the Economic and Social Council

Executive summary

1. Following the Sustainable Development Programme endorsed at the United Nations Conference on Environment and Development held in 1992 in Rio de Janeiro, Brazil, Mongolia developed the Sustainable Development Action Programme of Mongolia for the 21st Century (MAP 21). Since 2000, the Programme has produced a number of development strategy documents and made considerable progress in allocating economic resources based on development priorities; formulating policies of economic, human and regional development; reaching consensus regarding the importance of development planning; and strengthening methodology and human capacity in related areas.
2. During the first decade of transition to market economy in the 1990s, however, Mongolia had to undertake macroeconomic stabilization policies and structural adjustment reforms; during those years, necessary resources, institutional arrangements and the legal environment for development policy planning and implementation were lacking. With the country's accession to the World Trade Organization in 1997, Government policies focused mainly on the further introduction of market economy principles, economic liberalization and the stabilizing of fiscal imbalances, leaving little room for the formulation and implementation of development strategies and pursuing human development and sustainable development policies.
3. After 1999, Mongolia experienced major natural disasters such as *dzud*, a severe winter resulting in the death of a large number of livestock, leading to widespread poverty and unemployment. It became clear that macroeconomic stability and economic growth alone could not resolve the emerging social problems. The Millennium Declaration and eight Millennium Development Goals to be achieved by 2015, which were endorsed by leaders of 189 Member States in 2000, played a decisive role in the formulation and implementation of long- and medium-term national development policy and strategy, the establishment of economic development planning and development policy mechanisms and the development of monitoring and evaluation systems in Mongolia. In 2005, the State Great Khural (Parliament) of Mongolia endorsed the Mongolian Millennium Development Goals and added a ninth goal on "Strengthening human rights and fostering democratic governance". The Goal targets and indicators were revised and approved by the State Great Khural decree No. 13 in 2008.

4. Based on those policies, Mongolia incorporated the Millennium Development Goals into the Economic Growth and Poverty Reduction Strategy for the first time in 2003, produced the first National Progress Report on Millennium Development Goal achievements in 2004, intensified efforts to formulate long-term national policies similar to many other United Nations Member States and, by passing State Great Khural resolution No. 12 in 2008, started implementing its first long-term development policy, entitled "The Millennium Development Goals-based Comprehensive National Development Strategy 2008-2021".
5. Mongolia has made significant progress in the implementation of the Comprehensive National Development Strategy and the Millennium Development Goals. The Mongolian economy has experienced steadfast growth for the past 14 years. While the average annual gross domestic product growth in 2000-2005 stood at 5.6 per cent, in 2005-2010 it increased to 6.7 per cent and further accelerated to 10.7 per cent in 2010-2014. As a result, according to the World Bank estimate, gross national income per capita reached \$3,770 in 2013, and Mongolia is no longer classified as a low-income country. Mongolia joined the rankings of lower-middle income countries in 2008, which has been a major step forward for the country.
6. Mongolia has successfully met the Millennium Development Goals to reduce child mortality, improve maternal health, combat HIV and AIDS and to develop new information and communications technologies and build an information society. There has been significant progress made in promoting gender equality and increasing women's participation in politics and decision-making.
7. As a result of efforts to adopt the ninth goal, "Strengthening human rights and fostering democratic governance", Mongolia made notable progress in the areas of transparency of governance and citizens' participation, and in combating and reducing corruption. According to the international organization Transparency International, Mongolia had been ranked 120th in perception of corruption in 2011, but advanced to 80th out of 174 in 2014.
8. Although Mongolia could not halve poverty, it succeeded in reducing it by one third: the poverty rate was reduced to 27.4 per cent, or by 11 percentage points, in 2012 from 36.3 per cent in 1995. The large reduction in poverty can be viewed as a result of the policies taken by the Government of Mongolia. The country's human development index was 0.698 in 2013, which classifies it as a medium development category country and ranks it at 103 out of 108 countries. While the average human development index of Asia-Pacific countries is 0.614, Mongolia scores higher than other countries in the region at a similar development stage.

9. However, some important issues have been overlooked and deficiencies and constraints continue to exist despite the considerable progress achieved by Mongolia to improve development planning and to incorporate global development agendas into national policies. The key issue is the lack of an adequate legal environment for development planning. It is crucial to determine achievable development goals based on modern development planning methodologies and development trends without being caught in an election cycle; to increase the number and capacity of officers in charge of monitoring and evaluating strategic planning; to develop and apply proper procedures, guidelines and manuals for the formulation of long-term objectives, sector policies and the development of a medium-term strategy; and to align the ideology and principles of political forces and parties with a development policy framework.
10. Mongolia would be able to contribute to global sustainable development by strengthening the central Government institutions responsible for the development agenda in order to align the strategies of political parties and development policy options with development policy objectives; establishing a proper development policy planning system with research-based long-term development visions for the country, medium-term Government action plans based on long-term development visions and short-term policies and budgets aimed at achieving long-term strategic goals; and by successfully applying global sustainable development principles to the three national development pillars in social, environmental and economic policy areas.
11. Development cooperation will play a significant and unique role in supporting the implementation of the post-2015 development agenda. Mongolia supports a renewed global partnership that looks to the future of development cooperation. Areas for international support will be directed to accelerate capacity-building for greater policy integration and coherence for sustainable policy paths and effectively address highly complex trade-offs between the three dimensions of sustainable development. Systems for monitoring and evaluation need to be further strengthened to measure the performances of Government policies, programmes and projects in pursuit of sustainable development goals that potentially will contribute to results-based sound governance.
12. The present national report identifies progress and achievements made and problems and challenges encountered in the implementation of the national development goals and challenges. The national report also discusses the factors affecting the successful implementation of the national development strategy and lessons learned. It also briefly touches upon the possibility of reflecting the country's successful experience in policies, projects and programmes in other countries.

Sustainable development policy and strategy of Mongolia: current status

Development policies during the transition period

13. Mongolia has persistently pursued the alignment of its development goals with market economy principles since its transition to a market economy. Major policy documents outlining the country's development goals have been developed since that time. For instance, "The Development Concept for Mongolia" (1996), "The Master Plan for Mongolia's Population Settlement and Development" (1996), "The Sustainable Development Action Programme of Mongolia for the 21st Century (MAP 21)" (1998), "Mongolia's Regional Development Concept" (2001), "Pole Cities for Regional Development" (2003), "The Economic Growth and Poverty Reduction Strategy" (2003) and other policy documents were adopted and implemented. There has been some progress and successes in the allocation of resources to priority areas under market economy principles, in reaching common understanding and developing policies for human development and for regional and economic development and in strengthening relevant methodology and human capacities. However, the policy documents encountered many challenges in their implementation and they failed to serve as a foundation for the Government action programmes or to be fully implemented for a number of reasons described below.

14. While Mongolia was continuously working to pursue development planning and optimal allocation of economic resources in the long, medium and short term, the United Nations Conference on Environment and Development held in 1992 in Rio de Janeiro, Brazil, served as a major impetus to place them at the centre of policy attention during the transition period. The sustainable development programme approved at the Rio de Janeiro conference contains 59 targets, including 17 social development targets, 13 environmental targets, 15 economic targets and 14 implementation targets. In line with that programme, Mongolia adopted those targets within national policies and developed MAP 21.

15. MAP 21 was an influential document in laying down foundations for development planning. MAP 21 formulated national development policies based on the principles of environmental protection and reliance on national resources for the first time. However, the sustainable development concept didn't fit well with the economic situation and economic policy priorities of the period. At the time of adoption of MAP 21, the Mongolian economy was still in the middle of a transition crisis; in addition, budget revenue fell sharply as a result of the 1997-1998 Asian financial crisis and the falling price of copper, the main export commodity of Mongolia, on international markets.

16. With the transition to a market economy not yet complete, the nation's economic policy focused more on the further introduction of market principles rather than development priorities. Needs for fiscal stabilization caused severe resource constraints and lack of investment available for development priorities. With the country's accession to the World Trade Organization in 1997 right before the Asian crisis, market economy-based trade liberalization and price liberalization policies were high on its development agenda. Implementation of the sustainable development policy adopted in 1998 became protracted as a result of the transition, the Asian economic crisis and the conflict of the transition objectives with overall macroeconomic policy coordination.

17. However, social problems of the period proved the importance of development policy and planning. During the first five years of the transition to a market economy (1990-1995), Mongolia confronted a completely new social and economic phenomenon: poverty. A household social and economic survey conducted by the National Statistical Office in 1995 found that 36.3 per cent of the population was poor. At a time of widespread poverty and unemployment, natural disasters struck. As a result of the *dzuds* of 1999 and 2000, output of the agriculture sector, which accounted for 33 per cent of the gross domestic product (GDP), fell by 16.8 per cent, increasing poverty even further. The overall economy experienced grave difficulties; the national average monthly household income in urban areas stood at Tug 82,000 and in rural areas at Tug 72,000, equivalent to \$60 or \$50. Social issues came to the fore, migration to urban areas from rural areas started and ecological problems worsened, though they were not as severe as the social problems.

18. Development policy formulation was launched prior to 2000. However, at the top of the agenda was addressing the absence of integrated national development policy and strategy implementation, monitoring and evaluation systems. Next was creating structural programmes established with international financial institutions designed to restore macroeconomic stability and to reduce fiscal deficits rather than to allocate budget resources to development priorities. Attention to social sector and environmental issues was severely constrained by a lack of resources for poverty reduction and social infrastructure. Despite limited opportunities for adequate development planning owing to the ongoing economic transition, the Asian financial crisis, macroeconomic instability and structural deficiencies, the social situation itself required improvement in order to proceed with economic development planning.

Adoption of Millennium Development Goals as development policy foundation guidance

19. In September 2000, leaders of 189 United Nations Member States endorsed the Millennium Declaration and adopted eight Millennium Development Goals with the object of achieving them by 2015, and the State Great Khural endorsed the Mongolian Millennium Development Goals in 2005. Mongolia also has its own, ninth goal on "Strengthening human rights and fostering democratic governance", which is devoted to democratic governance and human rights, unique to the country. The Millennium Development Goal targets and indicators were revised and approved by the State Great Khural decree No. 13 in 2008.

20. Adoption of the Millennium Development Goals was an important step in developing long- and medium-term national development policy and strategies for Mongolia when it was experiencing transition, and served as a strong motivator for establishing appropriate implementation mechanisms as well as monitoring and evaluation systems. Mongolia was strongly committed to overcoming its economic problems, paying special attention to human development and addressing economic and social planning deficiencies, and including for the first time Millennium Development Goals as development objectives in the 2003 Economic Growth and Poverty Reduction Strategy, and produced the first progress report on the implementation of the Goals in 2004. Afterwards, Mongolia intensified its efforts in long-term national policy development similar to other United Nations Member States and the Goals-based Comprehensive National Development Strategy up to

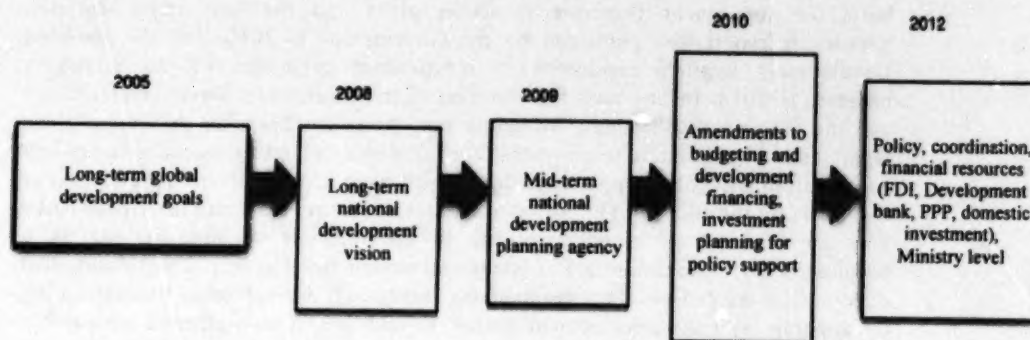
2021 was adopted by the State Great Khural's decree No. 12 in 2008 and consequently implemented.

21. The Goals-based Comprehensive National Development Strategy became a basis for subsequent Government action plans and the first implementation monitoring report was published by the Government in 2010, and the National Development Institute conducted an independent evaluation of the Strategy's progress in 2014. In line with the adoption of the Millennium Development Goals and the Goals-based Strategy, Mongolia put strong emphasis on putting in place legal and institutional frameworks for strategic planning, economic policy coordination and policy implementation, which were lacking before the adoption of the Goals by the country. The Millennium Development Goals and the Goals-based Strategy have played a decisive role in development strategy, serving as a foundation for Government action plans and annual fiscal policy. The Government of Mongolia created development planning institutions and reformed fiscal planning by aligning with the development policy. In addition, it strengthened partnership frameworks, linking the private sector with the development policy through concession agreements and establishing a specialized Development Bank of Mongolia to mobilize new development financing sources in addition to budget resources.

22. The Government of Mongolia established relevant institutions in charge of the Comprehensive National Development Strategy immediately after its adoption and established the Development Bank of Mongolia in 2011 to finance major development projects in the long-term, introduced a new financing mechanism for development financing as a public-private partnership (the Concession Law approved in 2011), adopted a medium-term public investment programme document, revised the budget laws to create an integrated budget law to reflect strategic development priorities and adopted a local development index for better intergovernmental allocation. Furthermore, a law on innovation was adopted to diversify the economy as an important objective of the development planning, and the law has helped to link economic resource allocation with technique and technology development. A draft law on development policy and planning designed to become the main law to reinstate development policy and planning nationwide was considered by the Government and has been submitted to the Parliament. Currently, the fifth national report on implementation of the Millennium Development Goals in Mongolia is being produced and a new vision document is planned to be developed in line with the post-2015 development agenda. One of the major achievements and results of the implementation of the Millennium Development Goals in Mongolia is the establishment of the development policy framework and putting the development planning at the centre of economic policy.

23. As part of the implementation of Goals-based Strategy, the Government of Mongolia developed "The New Midterm Development Programme", which was approved by the State Great Khural in June 2010. Mongolia integrated a full set of national development goals into global development goals. In order to manage implementation in the light of the Millennium Development Goals and the Goals-based Strategy, the Government of Mongolia renewed its focus on the improvement of strategic planning, economic policy coordination and development policy planning, which was very limited prior to approval of the Millennium Development Goals (see figure 1).

Figure 1
Evolution of development policy and planning system



Source: Government of Mongolia, 2005-2014.

24. The Millennium Development Goals served as major incentives for the development of economic and social policy and their implementation and financing, the establishment of policy outcome monitoring and evaluation systems and the expansion of capacity-strengthening activities.

25. Therefore, with the implementation of the Comprehensive National Development Strategy the Government of Mongolia has given considerable attention to functions such as development strategy planning, linking it with public financing, planning and monitoring outcomes and with the systematic collection of development statistical data and information, which were overlooked before the adoption of the Millennium Development Goals. The public acknowledges the importance of the functions and policymakers focused their efforts on further strengthening the framework. The progress and achievements can be classified as Government structural reform, financial system improvement, framework expansion, strengthened monitoring and evaluation systems and statistical system improvement.

Adjustment of Government structure for development planning

26. The Government of Mongolia created independent Government institutions responsible for development planning, created development-oriented financial institutions for development and amended the budgeting programming to give priority to financing for development goals. Several Government organizations were charged with development planning for the period 1990-2014.

27. Prior to 2008, development policy formulation and strategic planning fell under the duties and functions of the Ministry of Finance; later, that task was transferred to a new agency, the National Development and Innovation Committee, established in 2009 under the Prime Minister. The Government created an institution responsible for economic policy, planning and development financing in 2012 and embarked on major reforms to reflect development objectives in the national budget and public financing framework, economic diversification and the provision of guidelines for policy formulation. Measures were accelerated in human resource

planning and capacity development, strengthening policy formulation and results-based monitoring and evaluation.

28. As a result of undertaking such reforms, midterm development strategy has been improved in terms of content. Annual Government plans or economic and social development guidelines that have been in place since 1992 were considered short-term planning documents. In 2005, Millennium Development Goals were embedded as a specific target under the umbrella of the Millennium Declaration in Health Sector Policy, and in 2006 they were embedded in poverty reduction objectives in the guidelines. Since 2007, embedding Millennium Development Goals into the annual guidelines has become the usual practice.

29. Regarding medium-term planning, the Government action plan serves as a medium-term policy document. The Government Action Plan for 2008-2012 was developed in line with the Goals-based Comprehensive National Development Strategy, draft medium-term priority issues for 2012-2016 were formulated and considered by the Government in 2012 and a medium-term public investment program was adopted at the Government level in 2012. After the 2012 parliamentary elections, changes to policy formulation and planning systems were made and Government structures and institutional arrangements for the planning and implementation of policy and strategy were aligned with the Millennium Development Goals of Mongolia, and its sustainable development objectives were set up with establishment of central Government institutions responsible for economic, environmental and green development. The Ministry of Labour is responsible for the promotion of employment and the reduction of poverty. To facilitate infrastructure development, the Ministries of Energy, Road and Transportation and Construction and Urban Development were also established accordingly.

Impacts of Millennium Development Goals on the financial system and financial cooperation for development

30. There were significant improvements made in integrating budget planning into the development policy. The main improvement is the linkage between budget planning and the development objectives. The 2012 Integrated Budget Law of Mongolia stipulates terms and definitions of the public investment programme as one of the main components of the development policy. While in 2006 Parliament stated in its resolutions: "Ensuring implementation of Economic and Social Development Action Mongolia for the Year of 2007 by providing financing sources under the framework of the Budget Law", that phrase was changed in 2013 to: "Prepare draft budget on the basis of the Economic and Social Development 2013 Action Plan and submit it" to the State Great Khural. The latter statement clearly illustrates that the State budget has started to build upon on the Action Plan on development policy and plans. The resolution states that implementation of the 2013 Action Plan should be closely tied to the Goals-based Comprehensive National Development Strategy and other policy documents that incorporate the emerging principles approach of integrating short-, medium- and long-term development policy, financing and institutions. Furthermore, the medium-term fiscal framework and annual guidelines are adopted by the State Great Khural at its spring session and on the basis of those the annual general and central Government budgets are developed.

31. The Government established the Development Bank of Mongolia as a major financial institution to support economic development. Investment made by the Development Bank in 2013 exceeded the public investment from the central Government budget, demonstrating that the Development Bank is the main financial source for development programmes.

32. In addition, the Concession Law was adopted in 2010, creating opportunities for mobilizing private investment in the implementation of development objectives. Currently, major projects in Mongolia, for instance, power stations, local paved roads and railway projects, are planned to be financed under concessions agreements.

33. As can be seen, Mongolia has established a new financing arrangement and has considerably increased development financing. Budget expenditures in education and social welfare rose by 18.1 per cent and 22.8 per cent, respectively, in 2006-2012, in comparison with the six years immediately following the adoption of the Millennium Development Goals. Budget expenditures in education, health and social welfare account for 49.6 per cent of total central Government budget expenditures.

34. In addition, the Government of Mongolia expanded the development financing framework within the financial system and established new international cooperation frameworks and arrangements. The major achievement is a significant increase in financing by mobilizing foreign investment and investing in major development projects, including national private investment, aid and foreign direct investment. Average annual national and foreign investment growth was about 20 per cent in 1999-2005, and average annual growth of foreign direct investment and aid increased to 54.1 per cent in 2006-2012 after the adoption of development objectives. During the same period, national investment was multiplied by 7.6, while investment from foreign financing was multiplied by 10.2.

35. Mongolia closely cooperated with international organization and donor countries, made considerable investments in development and received a \$910.6 million concessional loan for 2006-2012. The loan was spent on the implementation of the Millennium Development Goals and on the Comprehensive National Development Strategy. Mongolia also strengthened economic cooperation with many countries and received and spent \$848.9 million in grants from donor countries on many development programmes.

36. Mongolia implemented 429 projects under overall aid programmes for 2006-2012, and the number of projects and programmes under the foreign aid programme was multiplied by 2.4 and their implementation was sped up. The number of new projects and programmes in education, health, social welfare, poverty reduction, gender, infrastructure, governance and environment was multiplied by 2 to 6 times for the period in comparison with the previous six years. With the establishment of the Development Bank, Mongolia raised \$2.4 billion on commercial terms from international financial markets and the Oyu Tolgoi project alone attracted \$6.4 billion in foreign direct investment. Mongolia succeeded in significantly increasing development financing and international partnerships, and cooperation played an important role.

37. It is a major sign of progress that the audit by the National Audit Office on development policy, financing, implementation and results, was presented to and

endorsed by the State Great Khural. For instance, the 2012 audit report states that the audit was conducted within the mandate of the National Audit Office, defined in the Auditing Law and based on State Great Khural resolution No. 34 of 2011 and the 2013 procurement plan of the National Audit Office to the Auditor General of Mongolia. The purpose of the audit was to review, reach conclusions and make recommendations on the implementation of the 2012 economic and social development guidelines of Mongolia, to present them to relevant authorities and officials and to publish them for the public.

38. Another major achievement is the evaluation of the Comprehensive National Development Strategy implementation in 2010 and 2014 and the presentation of relevant reports, in addition to the monitoring and evaluation of short-term policy implementation. One could conclude that the institutional arrangements for planning have been successfully set up, financing sources have been secured and monitoring and evaluation systems and relevant legal environment have been created.

Impacts of Millennium Development Goals on development objective monitoring and statistical systems

39. Since 2010, the Government has taken considerable steps to improve its monitoring and evaluation system by transitioning into a results-based system that could be considered an indirect effect of the application of the Millennium Development Goals-based monitoring and evaluation system. It should be noted that the transition is at a very early stage of its development. The results-based monitoring and evaluation system requires consistent application of all stages of the monitoring and evaluation system starting from its "preparatory evaluation". The most important criterion for success is the consistent application of all steps and related procedures. The system requires sustainability, which is the main challenge for adaptation.

40. To further support the introduction of the results-based monitoring and evaluation system, the Cabinet Secretariat drafted a law on Government monitoring and evaluation, though it has now been merged into the draft of the law on development and planning. The most recent Government intervention was Government resolution No. 322 of 2013 on "General regulation for monitoring and evaluation of Government agencies". The resolution assigned the Ministries and agencies at the central and local levels to develop and adapt the monitoring and evaluation systems and methodology applicable to their sector, industry or locality. The Millennium Development Goals have played an important role in creating the national results-based monitoring and evaluation system and strengthening capacity.

41. The Millennium Development Goals have played a critical role in the establishment of a socioeconomic indicator database and in the development of data services. Improvement in data collection and methodology helps not only the evaluation of the Millennium Development Goals but also helps policymakers in the monitoring and evaluation of national and sector policies and strategic results.

42. In the field of national statistics sector development, a new law mandating a national census on population housing was approved in 2008. Methodology to calculate a human development index was approved that resulted in having a unified methodology allowing relevant economic institutions to consistently use human development indicators for reporting.

43. The National Statistical Office developed the country's Millennium Development Goals in line with the international Goals and included 48 indicators, published them in a 2006 statistical yearbook and made that available to public. In 2008, the National Statistical Office expanded its Goals to 24 targets and 67 monitoring indicators.

44. A pilot project to support the National Poverty and Millennium Development Goals Monitoring and Assessment System was implemented by the Government of Mongolia and the United Nations Development Programme; the nationwide Millennium Development Goals Monitoring and Evaluation system was created, and an associated database for routine statistical data collected by the statistical and line agencies was established. Out of 64 monitoring indicators included in the Goals database, 20 indicators are collected through statistical surveys and censuses, and the remaining 44 indicators are compiled from the administrative data records of the Ministries and agencies. Foundations for the web-based data system was established by order of the Chair of the National Statistical Office in 2009 as DevInfo version 5, and the roles and responsibilities of the relevant parties regarding database compilation, update and use were defined. The appointment of a person in charge of the Goals database at the National Statistical Office has played a significant role in advancing the monitoring and evaluation system.

Implementation of development policy in Mongolia, its achievements, challenges and constraints

Development policy implementation

45. Despite significant progress towards development policy formulation, financing and monitoring and evaluation, the country faces challenges due to an inadequate legal environment and lack of experience. It is of the utmost importance to identify the factors affecting the successful implementation of the Comprehensive National Development Strategy and the challenges encountered when the country is about to embark on the implementation of global goals.

46. Implementation of the two main development policy documents of Mongolia, the Millennium Development Goals and the Goals-based Comprehensive National Development Strategy, is reviewed in the present report. The Government of Mongolia reports on annual implementation of the Strategy to the State Great Khural. The 2014 evaluation report on the Strategy implementation concludes that few objectives were fully met and many challenges were encountered between 2008 and 2014. Since it is the first long-term development policy of Mongolia, it is important to consider the following lessons learned:

- The Strategy included "wish list" items or objectives;
- Medium- and short-term development policy documents such as Government action plans, annual socioeconomic development guidelines and sectoral and intersectoral development policy documents have not been fully coordinated and made coherent with the Strategy;
- The Strategy implementation coordination between the Ministries was inadequate and some intersectoral objectives were left out or overlooked, which adversely affected their implementation;

- Election platforms of political parties have not been aligned with Strategy objectives.

47. Despite those setbacks, overall Mongolia has made considerable progress during the implementation of the Strategy and the Millennium Development Goals. The Mongolian economy has grown rapidly for the last 14 years. Average annual GDP growth for 2000-2005 was 5.6 per cent, for 2005-2010 it increased to 6.4 per cent and it further accelerated to 12.2 per cent for 2010-2014. As a result, according to the World Bank estimate, gross national income per capita reached \$3,770 and the country is no longer classified as a low-income country based on its GDP per capita (data available from <http://data.worldbank.org/indicator/NY.GDP.PCAP.CD>). Based on the World Bank estimate, Mongolia left the ranks of low-income countries and joined the lower-middle income countries in 2008, in a significant step forward.

48. Although economic growth has been strong and the economy has expanded, poverty has not been reduced and the negative outcomes of a persistent unemployment rate, widening income inequality and other adverse outcomes have been observed. They indicate that economic growth has not been inclusive enough. The ratio between the consumption of the richest 20 per cent and the poorest 20 per cent was 5.5 in 1995 and increased to 6.2 in 2012. Currently, increasing the inclusiveness of economic growth is the most pressing issue, and shows that it is necessary to pay attention and take action to improve social development in general and increase the inclusiveness of economic growth in particular for target groups.

49. Goals to reduce child mortality, improve maternal health, combat HIV/AIDS and develop new information and communications technologies and build an information society have already been achieved in Mongolia. There has been significant progress made in promoting gender equality and increasing women's participation in politics and decision-making.

50. Actions taken to improve maternal health had good results. For instance, legal documents, strategies, guidelines and manuals for medical services for women and obstetricians were formulated and enacted, a registration and information system for maternal mortality was established and a system to provide medical treatment and transfer pregnant women with high risks and multiple diseases to third-level clinics was put in place. Reducing the maternal mortality rate has been a national priority objective, and indicators to monitor that objective, including the performance of *aimag* (administrative subdivision) governor offices and Government organizations and raising awareness on women's health at the national and local levels, have been increased to achieve results. Furthermore, assistance and support from the World Health Organization, United Nations organizations and other international organizations has been well-directed and reached the target groups, resulting in a significant impact.

51. Mongolia adopted the ninth goal, "Strengthen human rights and foster democratic governance", and has made strong progress in the areas of ensuring the transparency of governance and citizens' participation and combating and reducing corruption. According to the corruption perception index of Transparency International, Mongolia ranked 120th in 2011; in 2014 it ranked 80th out of 174 countries, which is notable progress.

52. Although Mongolia couldn't halve its poverty rate, it succeeded at reducing it by one third. The poverty rate in Mongolia stood at 36.3 per cent in 1995 and

further increased to 38.7 per cent in 2010, but declined to 27.4 per cent in 2012. The reduction is attributable to the successful implementation of the targeted social policy by the State Great Khural and the Government of Mongolia.

53. Mongolia's human development index was 0.698 in 2013, which classifies it as a medium development category country and puts it at 103rd out of 187 countries. The average human development index of countries in the Asia-Pacific region is 0.614, and Mongolia scores higher than other countries at a similar development stage.¹

54. Although there has been progress made, there are still development targets lagging behind. Goals to halve the poverty rate, reduce the youth unemployment rate, reduce the prevalence of tuberculosis and protect the environment, especially with regard to reducing air pollution in urban settlements such as Ulaanbaatar, have not been achieved.

55. There are difficulties in evaluating the implementation of some goals without clear targets. Moreover, evaluation and review of some goals is hindered by incomplete data and methodology issues; it is a good lesson for future implementation.

56. The Government produced its fifth national report on progress towards achieving the Millennium Development Goals in 2013. The draft report was discussed at a meeting of the subcommittee dealing with the Millennium Development Goals and poverty reduction issues, under the standing committee of the Parliament dealing with social policy, education, culture and science issues. The subcommittee asked the Government to intensify the implementation of Millennium Development Goals. The fifth report discusses in great detail the progress made and the challenges faced.

Problems, challenges and lessons learned

57. The decade of 1990-2000 was the most daunting time of the transition period, and high unemployment, poverty and hyper-inflation had adverse effects on the livelihoods of the people, affecting the achievement of the Millennium Development Goal to reduce poverty. In addition, the weak economic structure of the country, the high share of the livestock sector of the economy dependent upon the environment and weather and the underdeveloped processing industry and infrastructure have been barriers to productive employment. For instance, the drought and the *dzud* that occurred in 2000-2001 and 2009-2010 brought huge losses to the livestock sector, resulting in the loss of livestock and livelihoods of thousands of herders and an increase in the poverty rate. More than 10 million head of livestock were lost in the 2000-2001 disaster and the production of the livestock sector declined more than 20 per cent. Furthermore, the global economic and financial crisis in 2007-2009 hit Mongolia hard and GDP decreased by 1.3 per cent in 2009. Due to the rapid development of the mining sector in recent years, Mongolia grew more reliant on mining and therefore vulnerable to the fluctuation of global mineral prices.

¹ The Mongolian human development index for 2013 is 0.698. However, when the value is adjusted for inequality, the index falls to 0.618, a loss of 11.5 per cent due to inequality in the distribution of the dimension indices. The gender inequality index reflects gender-based inequalities in three dimensions: reproductive health, empowerment and economic activity. Mongolia has a gender inequality index value of 0.320, ranking it 54th out of 149 countries in the 2013 index.

58. Our past experience proves that it is not an easy task for a developing country with an economy in transition to achieve the goal to reduce poverty. The participants in the public consultations emphasized that, in addition to the difficulties and challenges faced during the implementation of the Millennium Development Goals in the past 20 years in Mongolia, responsible and good governance were not yet established, law enforcement was unsatisfactory, existing institutions were weak, crises occurred frequently and inconsistent and incoherent development policies were implemented. The shortages of financial resources and limited engagement of private entities and civil society organizations in achieving the Millennium Development Goals are among many factors affecting the country's accomplishments and failures.

59. Overall, Mongolia has made significant progress in strengthening development policy planning and in coordinating global development trends into its policies, but some critical policy issues have been neglected and difficulties still exist.

60. The crucial issue is the lack of an adequate legal environment for development planning. The following issues deserve serious attention:

- The determination of development priorities after 2015 should be based on modern development planning methodologies, development goals should be achievable and the legal environment for development policy planning in Mongolia should be established and enacted;
- The number and the capacity of officers in charge of the monitoring and evaluation of strategic planning should be increased;
- Guidelines and manuals should be developed and used for formulating long-term targets and sectoral policies, and should include those targets in medium-term strategies;
- Ideology and principles of political forces and parties should be included in the development policy framework;
- The State Great Khural and the Government should pay special attention to the implementation of the long-term policy;
- Government action plans should be formulated based on long-term policies.

61. Special attention should be paid to incorporate strategic objectives into medium- and short-term economic policies. Although significant attention has been paid to a Goals-based long-term Comprehensive National Development Strategy since 2008, the Government action plan goals have not been coordinated well with the Strategy, and only short-term policies have incorporated the long-term Strategy. Because political parties elected for Parliament have a decisive and dominant part in determining medium-term planning based on their election manifestos, it is crucial that those manifestos reflect development targets set by the framework of global partnerships and the national long-term development policy of Mongolia. Weaknesses and gaps create inconsistencies for successor implementers of long-term development policy.

62. The institutions responsible for development agendas should be strengthened. Remarkable progress has been made in establishing an institution in charge of development planning. The Ministry of Finance has been in charge of development planning since the end of 2014. That change in structure brings the country a step

closer to bringing development planning into alignment with financing mechanisms. Development targets set worldwide and sustainable development goals that are very broad, therefore coordinating the development cooperation and partnerships with financing mechanisms will be a necessary condition for achieving the goals.

National policy during the transition from Millennium Development Goals to sustainable development goals

Current process to renew the long-term development policy

63. When an adequate legal environment is established for development policy and planning, it will serve as a legal basis to undertake policy document reviews. A draft law on development policy and planning has been submitted to Parliament.

64. A working group has been formed to formulate the long-term development policy of Mongolia by April 2016 by the decree of the Speaker of the Mongolian Parliament. The chair of the political party caucus at the State Great Khural leads the working group, and the technical subworking group is composed of Ministries and Government agencies. The necessity to renew the Comprehensive National Development Strategy enacted in 2008 is related to the transition from the Millennium Development Goals to sustainable development goals. The post-2015 sustainable development goals of Mongolia are set to continue the activities started in the framework of the Millennium Development Goals, to be coherent with the 17 sustainable development goals set by the global partnership and to reflect pressing issues and challenges of the country's development. The results from a series of national consultations on the post-2015 development agenda, organized by the Resident Mission in 2012-2014 and engaging multiple stakeholders, form the basis for the determination of development goals for Mongolia.

65. The contribution of scientific research to improve policy coordination, coherence, consistency and integrated management for achieving the sustainable development goals is being promoted. The National Development Institute of Mongolia is conducting research to provide science-based policy recommendations and know-how on the application of the concept and principles of sustainable development. The Institute has recently completed a comprehensive study aimed at designing a long-term national development policy. The study used an interdisciplinary approach to data collection and analysis. The process of discussing results and findings, as well as the process of informing others regarding updates on the research progress, was organized systematically to adaptively capture feedback and responses generated from multi-stakeholder consultations and discussions.

66. The National Development Institute's proposed draft long-term national development policy covers the period 2016-2040 and defines five priority areas:

- Diversify the economy, enter the international market and use resources efficiently;
- Develop the country's human capital, foster a highly skilled labour force and increase productivity and production capacity;
- Strengthen the quality of Government institutions, policy and regulations;
- Apply modern technologies and innovations in all sectors and create an adaptive capacity to react to climate change;

- Strengthen the middle class, the driving force for development and improve conditions for public health and safety.

Main priorities for long-term development policy

67. Long-term development priorities for the three pillars of sustainable development, which include social development, environmental protection and economic development, are defined as follows and are being consulted upon.

Social development

68. The long-term objective for social development is currently determined as strengthening the middle class and improving conditions for health and safety of the general public. Although the country's economic growth has been continuously positive in the past 14 years, poverty has not dropped rapidly. Income inequality among the population has widened. Policies aimed at a steady increase of the middle class and reducing income inequality and income gaps among populations shall be considered the foundation for the sustainable social development.

69. The Goals-based Comprehensive National Development Strategy and the priority of the Government, included in the 2012-2016 Government Action Plan, is to form a society where the majority will be the middle-income citizens. That goal will be implemented further. Reducing poverty will be the prerequisite for increasing the middle class. Therefore, within the framework of sustainable development goals proposed by the United Nations, there is a need to align the goal of "promoting sustainable industrialization" with a goal to reduce unemployment by redefining the sustainable development goal to "end poverty in all its forms everywhere" within the local context.

70. Reducing income inequality, income gaps and differences in consumption patterns will require the elimination of gaps in the infrastructure in rural areas, such as access to housing, education and health services and differences in living conditions. That target is relevant to the tenth sustainable development goal to "reduce inequality within and among countries".

71. Within the framework of the sustainable development goal of a healthy population, a third goal was proposed to "ensure healthy lives and promote well-being for all at all ages". Within the context of our country, improving the protection of the population, providing better access to health services and improving the quality of medical services were proposed as Millennium Development Goals, and they will be implemented further. Increasing the average life expectancy, since a specific age can be defined as a target, includes targets to reduce the gap in the average life expectancy of men and of women. Mongolia will propose a target to reduce some significant illnesses that are widespread among its population. For example, the country will propose a target to reduce tuberculosis, which had been included in the Millennium Development Goals, diseases related to the heart and cancer. As for the reduction of tuberculosis, Mongolia would like to continue receiving support from international organizations, because in the case of our country, drug-resistant tuberculosis has become widespread, and the costly treatment of the disease may become a challenging burden on the State budget in upcoming years.

72. Within the framework of social development, a policy is currently being discussed that would set a priority on strengthening the capacity of the Mongolian citizen and building a highly skilled Mongolian workforce. Within the framework of the sustainable development goals on education, the fourth target to "ensure inclusive and equitable quality education and promote lifelong learning opportunities for all" should be fully implemented. Mongolia should focus in particular on improving the quality of education. For example, at the level of university education, it is believed that professional guidelines and academic programmes should be aligned with market demand, and provide the necessary knowledge and skills for youth, which is a priority target. The need to make the targeted social protection system flexible for poor, minority, disabled and vulnerable groups was emphasized during the national consultation.

73. Within the framework of promoting gender equality, domestic violence and human trafficking, which have gained increased attention in Mongolia, should be confronted, and further emphasis is required to protect the rights of girls and women, who are the primary victims of violence.

74. There is a need to abolish the current trend of politicizing the civil service system, to hire skilled professional staff in public institutions regardless of their political affiliations and to reduce corruption at all levels. The pressing social development issue particular to Mongolia is the improvement of the capacity of Government institutions and the quality of policies and regulations.

75. It is crucial to strengthen sectoral coordination and coherence on the basis of an integrated development policy and results-based programme management. Therefore, strategic planning systems, equal and inclusive public sectors and strong accountability systems are required. The evaluation report of the Goals-based Comprehensive National Development Strategy and the fifth national progress report on the Millennium Development Goals in Mongolia states that the main challenges faced in implementing national development policy are weak institutional capacity, insufficient policy coordination, a lack of consistency in public policies, inadequate coordination of sectoral and intersectoral strategies and plans and insufficient synergies and coherence with the national long-term development strategy.

Sustainable environment

76. Environmental policy integration should serve as a main operational principle to implement sustainable development. Most of the key development policies adopted after the MAP 21 agenda, such as the Goals-based Comprehensive National Development Strategy, the Regional Development Policy, the Mongolian National Security Concept and the Economic Growth and Poverty Reduction Strategy, fell short of providing an explicit objective to integrate environmental aspects and policy objectives into sector policies and pursue environmental policy integration as a cornerstone for sustainable development.

77. Currently, the country faces some challenges in the operationalization of broad sustainable development concepts, as they are too vaguely perceived and there is a not common understanding of sustainable development concepts across different sectors or at different policymaking levels. The challenges include the coordination of different sector policies to achieve sustainable development and the integration of environmental concerns into existing sets of sector policy processes, organizational

arrangements and power structures. As an effort to address those gaps, the Government made a substantial move by establishing the Ministry of Environment and Green Development in July 2012.

78. The National Policy on Green Development has been developed in line with other national programmes being implemented in the environmental sector, such as national programmes on climate change, water, renewable energy and combating desertification. The National Policy on Green Development could be also considered an important national initiative to integrate environmental aspects and policy objectives into other sector policies, such as energy, industry and agricultural policy. The National Policy on Green Development is an indication of political commitment and leadership for achieving environmental policy integration, but continuous high-level commitment is a prerequisite for transitioning towards the sustainable development goals. Cooperation with international organizations on green economic development has been strong and there is intention to further expand that cooperation. For instance, Mongolia joined the Partnership for Action on Green Economy in 2013 and has cooperated with specialized agencies of the United Nations, including the United Nations Environmental Programme, the United Nations Institute for Training and Research, the International Labour Organization, the United Nations Industrial Development Organization and the United Nations Development Programme. It intends to join the Global Green Growth Institute and to apply the "green" economic model Threshold 21 for policymaking studies.

79. Before 2012, the nature and environmental portfolio was considered to be one of the line Ministries and did not have the authority to influence decision-making and policy formulations of other Ministries. Therefore, for the sake of promoting policy to achieve a balanced integration of the three pillars of sustainable development, it is important to raise the status of the Ministry of Environment and Green Development, develop its capacity to deal with increasing volumes of decisions and have structured contact with other Ministries, and receive support from external actors in green development policy implementation. Moreover, it requires the improvement of coordination and communication processes, budgeting incentives and an increase in analytical and scientific capacity for sustainable development.

Economic development

80. The economic development goals include the diversification of the economy, further integration with international markets and the improvement of resource utilization efficiency. During the past decade Mongolia has experienced steady growth in the mining sector and the economy has grown more dependent on exports of copper and coking coal and become more vulnerable to fluctuations in prices on international markets and to the demands of a few countries that make up the primary export markets. The economic diversification has turned into a foundation for development policy. With that development, the mining sector percentage of GDP stood at 20.2 per cent in 2013, up from 12.0 percent in 1995. The mining sector produced 81.3 per cent of total exports in 2014, up from 35.2 per cent in 2000. Mongolia has opportunities to diversify the economy by utilizing its comparative advantages. For instance, there are opportunities for the export of high-quality organic food and developing the tourism sector by protecting precious untouched nature. There are also opportunities for energy export to Asian markets

by constructing solar and wind power stations. Asia's renaissance, including the further integration of neighbouring economies and infrastructure development, are creating favourable external conditions for further economic development in Mongolia.

81. The next economic challenge is to implement an industrialization policy as stipulated in the 2012-2016 Government Action Plan. A draft State policy on industrialization has been developed for consideration by the State Great Khural at its 2015 spring session. Within the industrialization policy, major reconstruction works such as the construction of the Sainshand industrial park, the development of a metallurgy plant and other projects have been planned. For the past few years initial steps towards industrialization have been taken. For instance, cement plants with a total capacity of 2 million tons of cement have been constructed in two regions. The Darkhan metallurgy plant was expanded and an iron ore processing plant was built in 2014. A heavy industry development policy, including the expansion of power and heating plants, is being pursued. Construction of Power Station 5 in Ulaanbaatar has been launched. Bidding for power station projects in Baganuur and Tavantolgoi has been organized and concession agreements have been signed.

Conclusion

82. Mongolia has achieved some of the Millennium Development Goals and is likely to reach some of the remaining Millennium Development Goals targets by the end of 2015. Although various factors may be attributed to that success, effective policy and programme interventions, including the Goals-based Comprehensive National Development Strategy and the Health Care Strategies, have been central to those accomplishments. As the target date to achieve the Millennium Development Goals for 2015 approaches, Mongolia is determined to realize its remaining goals even as it looks ahead to continued involvement in forming the post-2015 development agenda.

83. Development cooperation will play a significant and unique role in supporting the implementation of the post-2015 development agenda. Mongolia supports a renewed global partnership and looks to the future of development cooperation. Areas for international support will be directed to accelerate capacity-building for greater policy integration and coherence for sustainable policy paths, and to effectively address highly complex trade-offs between the three dimensions of sustainable development. Systems for monitoring and evaluation need to be further strengthened to measure the performances of Government policies, programmes and projects in pursuit of sustainable development goals that will potentially contribute to results-based sound governance.